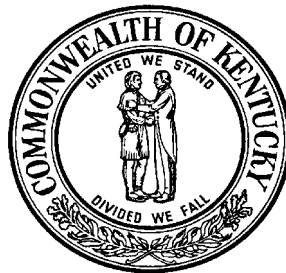


**REPORT OF THE AUDIT OF THE
LAUREL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LAUREL COUNTY FISCAL COURT

**Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Laurel County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$424,614 from the prior fiscal year, resulting in a cash surplus of \$3,556,796 as of June 30, 2001. Revenues increased by \$997,610 from the prior year and disbursements increased by \$405,622.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$5,005,000. Future collections of \$7,331,995 are needed over the next 16 years to pay all bonded debt principal and interest.

Report Comments:

- The County Engaged In Related Party Transactions
- The Fiscal Court Should Monitor Requests For Reimbursement
- The Fiscal Court Should Monitor and Collect Outstanding Receivables
- The Fiscal Court Should Implement Proper Payroll Procedures
- The Fiscal Court Should Review The Administrative Code Annually As Required By KRS 68.005

Deposits:

On August 31, 2000, the fiscal court's deposits were uninsured and were uncollateralized by \$110,545. However, on the following day, the depository institution increased collateral pledged to cover all deposits.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jimmy Williams, Laurel County Judge/Executive
Members of the Laurel County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Laurel County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Laurel County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Laurel County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001, of Laurel County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2002, on our consideration of Laurel County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jimmy Williams, Laurel County Judge/Executive
Members of the Laurel County Fiscal Court

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Laurel County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The County Engaged In Related Party Transactions
- The Fiscal Court Should Monitor Requests For Reimbursement
- The Fiscal Court Should Monitor And Collect Outstanding Receivables
- The Fiscal Court Should Implement Proper Payroll Procedures
- The Fiscal Court Should Review The Administrative Code Annually As Required By KRS 68.005

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 1, 2002

LAUREL COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Jimmy Williams	County Judge/Executive
Noah Baker	Magistrate
Teddy Bengé	Magistrate
David Bruner	Magistrate
Roy Crawford	Magistrate
Roy Jenkins	Magistrate
James Lewis	Magistrate

Other Elected Officials:

Elmer Cunnagin	County Attorney
Ed Parsley	Jailer
Dean Johnson	County Clerk
Roger Schott	Circuit Court Clerk
Gene Hollon	Sheriff
Marian Sparkman Davis	Property Valuation Administrator
Leonard Bowling	Coroner

Appointed Personnel:

Karen Montgomery	County Treasurer
Rick Brewer	Occupational Tax Collector

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

LAUREL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	897,898
Road and Bridge Fund:		
Cash		148,182
Jail Fund:		
Cash		79,133
Local Government Economic Assistance Fund:		
Cash		130,876
Occupational Tax Fund:		
Cash		1,695,298
Payroll Revolving Account - Cash		<u>80,662</u>
	\$	3,032,049

Special Revenue Fund Type

Industrial Development Fund:		
Cash	\$	58,887
Long-term Notes Receivable (Note 4)		544,922
Forest Fire Protection Fund:		
Cash		4,988
Federal Grants Fund:		
Cash		20
Local Government Economic Development Fund:		
Cash		2,194
Camp Wildcat Preservation Fund:		
Cash		8,403
Chemical Stockpile Emergency Preparedness Program Fund:		
Cash		<u>78</u>
		619,492

Debt Service Fund Type

Laurel County Courthouse Annex, Inc. Fund:		
Cash		<u>530,839</u>

Total Assets		\$	4,182,380
--------------	--	----	-----------

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Assets and Other Resources (Continued)

Other Resources

Special Revenue Fund Type

Industrial Development Fund:

Amounts to be Provided in Future Years for Kentucky Infrastructure Authority Loan Payments (Note 5B)	\$ 107,206
---	------------

Debt Service Fund Type

Laurel County Courthouse Annex, Inc. Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 5A)	<u>4,474,161</u>
--	------------------

Total Assets and Other Resources	<u><u>\$ 8,763,747</u></u>
----------------------------------	----------------------------

Liabilities and Fund Balances

Liabilities

General Fund Type

Payroll Revolving Account	\$ 80,662
---------------------------	-----------

Special Revenue Fund Type

Industrial Development Fund:

Deferred Revenue (Note 4)	\$ 544,922	
Kentucky Infrastructure Authority Loan Not Matured (Note 5B)	<u>107,206</u>	652,128

Debt Service Fund Type

Laurel County Courthouse Annex, Inc. Fund

Bonds Not Matured (Note 5A)	5,005,000
-----------------------------	-----------

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

Special Revenue Fund Type

Industrial Development Fund	\$	58,887	
Forest Fire Protection Fund		4,988	
Federal Grants Fund		20	
Local Government Economic Development Fund		2,194	
Camp Wildcat Preservation Fund		8,403	
Chemical Stockpile Emergency Preparedness Program Fund		78	\$ 74,570

Unreserved:

General Fund Type

General Fund	\$	897,898	
Road and Bridge Fund		148,182	
Jail Fund		79,133	
Local Government Economic Assistance Fund		130,876	
Occupational Tax Fund		1,695,298	2,951,387
Total Liabilities and Fund Balances			<u>\$ 8,763,747</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LAUREL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 14,092,912	\$ 3,833,053	\$ 1,471,453	\$ 2,369,512
Other Financing Sources:				
Grant Receipts-High Intensity Drug Trafficking Area	4,976,379	4,976,379		
Transfers In	643,222			221,246
Total Cash Receipts	<u>\$ 19,712,513</u>	<u>\$ 8,809,432</u>	<u>\$ 1,471,453</u>	<u>\$ 2,590,758</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 12,912,108	\$ 3,268,003	\$ 1,388,703	\$ 2,795,049
Other Financing Uses:				
Grant Expenditures-High Intensity Drug Trafficking Area	4,976,379	4,976,379		
Transfers Out	643,222	534,165	109,057	
Loans Payable:				
Principal Paid-				
Industrial Authority Loan	169,838			
Kentucky Infrastructure Authority	33,459			
Bonds:				
Principal Paid	250,000			
Interest Paid	302,893			
Total Cash Disbursements	<u>\$ 19,287,899</u>	<u>\$ 8,778,547</u>	<u>\$ 1,497,760</u>	<u>\$ 2,795,049</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 424,614	\$ 30,885	\$ (26,307)	\$ (204,291)
Prior Year Void Checks	1,999	1,295	540	96
Cash Balance - July 1, 2000	<u>3,130,183</u>	<u>865,718</u>	<u>173,949</u>	<u>283,328</u>
Cash Balance - June 30, 2001	<u>\$ 3,556,796</u>	<u>\$ 897,898</u>	<u>\$ 148,182</u>	<u>\$ 79,133</u>

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2001
(Continued)

<u>General Fund Type</u>		<u>Special Revenue Fund Type</u>	
Local Government Economic Assistance Fund	Occupational Tax Fund	Industrial Development Fund	Forest Fire Protection Fund
\$ 137,342	\$ 5,223,452	\$ 127,482	\$ 1,726
<u>\$ 137,342</u>	<u>\$ 5,223,452</u>	<u>\$ 127,482</u>	<u>\$ 1,726</u>
\$ 150,560	\$ 4,379,388	\$ 124,633	\$ 2,232
	169,838	33,459	
<u>\$ 150,560</u>	<u>\$ 4,549,226</u>	<u>\$ 158,092</u>	<u>\$ 2,232</u>
\$ (13,218)	\$ 674,226	\$ (30,610)	\$ (506)
144,094	1,021,004	89,497	5,494
<u>\$ 130,876</u>	<u>\$ 1,695,298</u>	<u>\$ 58,887</u>	<u>\$ 4,988</u>

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

	<u>Special Revenue Fund Type</u>		
	Federal Grants Fund	Local Government Economic Development Fund	Camp Wildcat Preservation Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 318,778	\$ 450,244	\$ 266
Other Financing Sources:			
Grant Receipts-High Intensity Drug Trafficking Area			
Transfers In			
Total Cash Receipts	<u>\$ 318,778</u>	<u>\$ 450,244</u>	<u>\$ 266</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 318,758	\$ 450,000	\$ 6,728
Other Financing Uses:			
Grant Expenditures-High Intensity Drug Trafficking Area			
Transfers Out			
Loans Payable:			
Principal Paid-			
Industrial Authority Loan			
Kentucky Infrastructure Authorit			
Bonds:			
Principal Paid			
Interest Paid			
Total Cash Disbursements	<u>\$ 318,758</u>	<u>\$ 450,000</u>	<u>\$ 6,728</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 20	\$ 244	\$ (6,462)
Prior Year Void Checks			
Cash Balance - July 1, 2000		1,950	14,865
Cash Balance - June 30, 2001	<u>\$ 20</u>	<u>\$ 2,194</u>	<u>\$ 8,403</u>

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2001
(Continued)

<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>
Chemical Stockpile Emergency Preparedness Program Fund	Laurel County Courthouse Annex, Inc. Fund
\$ 28,132	\$ 131,472
	421,976
\$ 28,132	\$ 553,448
\$ 28,054	\$
	250,000
	302,893
\$ 28,054	\$ 552,893
\$ 78	\$ 555
	530,284
\$ 78	\$ 530,839

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Laurel County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Laurel County Courthouse Annex, Inc. Fund as part of the reporting entity.

The Laurel County Courthouse Annex, Inc. Fund is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court Members. Therefore, management must include the Laurel County Courthouse Annex, Inc. Fund as a component unit, and the Corporation's financial activity has been blended with that of the Fiscal Court.

Additional - Laurel County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Laurel County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Laurel County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Laurel County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA) Fund, and the Occupational Tax Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Laurel County Special Revenue Fund Type includes the following county funds: Industrial Development Fund, Forest Fire Protection Fund, Federal Grants Fund, Local Government Economic Development Fund, Camp Wildcat Preservation Fund, and Chemical Stockpile Emergency Preparedness Program Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Laurel County Courthouse Annex, Inc. Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Laurel County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Laurel County Courthouse Annex, Inc. Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Laurel County Water District and the Section 8 Housing Assistance Program are considered to be related organizations of the Laurel County Fiscal Court. The Section 8 Housing Assistance Program was included as a component unit in the prior year audit.

LAUREL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. On August 31, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$110,545 of public funds uninsured and unsecured. However, on the following day, the depository institution increased collateral pledged to cover all deposits.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2000.

Collateralized with securities held by the county's agent in the county's name	\$ 792,350
FDIC Insurance	100,000
Uncollateralized and uninsured	<u>110,545</u>
Total Deposits	<u>\$ 1,002,895</u>

LAUREL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 4. Long-Term Receivables

- A. On October 5, 1998, Laurel County loaned Chaney Lumber Company, Inc., the proceeds from a Community Development Block Grant in the amount of \$170,000. The loan was for a period of 15 years at 4 percent interest with 180 equal monthly payments in the amount of \$1,257. As of June 30, 2001, Chaney Lumber Company, Inc., is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$34,704
---	----------

- B. On October 5, 1988, Laurel County loaned Laminated Timber, Inc., the proceeds from a Community Development Block Grant in the amount of \$80,000. The loan was for a period of 15 years at 4 percent interest with 180 equal monthly payments in the amount of \$592. As of June 30, 2001, Laminated Timbers, Inc., is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$16,332
---	----------

- C. On May 24, 1991, Laurel County loaned Begley Lumber Company, Inc., \$350,000 from the Industrial Development Fund. The loan was for a period of 10 years at 7 percent interest with 120 equal monthly payments in the amount of \$4,065. As of June 30, 2001, Begley Lumber Company, Inc., is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$65,600
---	----------

- D. On October 30, 1992, Laurel County loaned Begley Lumber Company, Inc., \$64,000 from the Industrial Development Fund. The loan was for a period of 10 years at 7 percent interest with 120 equal monthly payments in the amount of \$743. As of June 30, 2001, Begley Lumber Company, Inc., is in substantial compliance with terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$11,995
---	----------

- E. On April 22, 1994, Laurel County loaned Nuway Manufacturing, Inc. \$42,500 from the Industrial Development Fund. The loan was for a period of 7 years at 5 percent interest with 84 equal monthly payments in the amount of \$601. As of June 30, 2001, NuWay Manufacturing, Inc is in substantial compliance with the terms of the agreement.

Principal Balance Due at June 30, 2001	\$1,286
--	---------

- F. On December 1, 1996, Laurel County loaned London Rotary Forms Company \$75,000 from the Industrial Development Fund. The loan was for a period of 5 years at 5 percent interest with 60 equal monthly payments in the amount of \$1,416. As of June 30, 2001, London Rotary Forms Company is in compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$8,372
---	---------

LAUREL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 4. Long-Term Receivables (Continued)

- G. On September 10, 1997, Laurel County loaned Nu-Legend Boat Company \$45,000 from the Industrial Development Fund. The loan was for a period of 5 years at 5 percent interest with 60 equal monthly payments in the amount of \$849. Nu-Legend Boat Company did not make any payments during the fiscal year. As of June 30, 2001, Nu-Legend Boat Company is not in compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$41,277
---	----------

- H. On November 4, 1998, Laurel County loaned Bengé Trucking, Inc., \$390,000 from the Industrial Authority's portion of the Occupational Tax Fund of which \$120,000 was repaid to the Laurel County Fiscal Court on September 30, 1999. The remaining balance of \$270,000 was for a period of 180 months at 5 percent interest with monthly payments of \$1,557. The first payment was due on January 1, 2000. The loan is to be administered by the London-Laurel County Industrial Authority, Inc. Repayment of these funds will go to the London-Laurel Industrial Authority, Inc., for support. As of June 30, 2001, Bengé Trucking, Inc., is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2001	\$245,356
---	-----------

- I. On March 5, 2001, Laurel County loaned Kinlee Stables Riding Center, Inc., \$120,000 from the Industrial Development Fund. The loan was for a period of 180 months with interest payments of \$400 for 9 months beginning April 1, 2001 through December 1, 2001. The remaining balance was for a period of 171 months at 4 percent interest with monthly payments of \$921 beginning January 1, 2002.

Principal Balance Due County at June 30, 2001	<u>\$120,000</u>
---	------------------

Total Long-Term Receivables	<u>\$544,922</u>
-----------------------------	------------------

Note 5. Long-Term Debt

- A. The following bonds are outstanding in the Laurel County Courthouse Annex, Inc., Fund:

1. On August 1, 1990, Laurel County entered into an agreement with the Laurel County Courthouse Annex, Inc. to lease buildings from the company on a yearly basis. The buildings leased are Laurel County Courthouse Annex 1 and 2 and the Laurel County Detention Center. The county's obligation is to make lease payments to the corporation in an amount adequate to meet the maturing principal and interest payments of the notes and bonds of the corporation. On July 20, 1993, bonds were issued in the amount of \$5,570,000. The following is a schedule of principal and interest due:

<u>Date Due</u>	<u>Interest Due</u>	<u>Principal Amount</u>
2002	\$ 266,163	\$ 170,000
2003	257,663	180,000
2004	248,393	185,000
2005	236,680	200,000
2006	228,080	205,000
All Other Years	<u>1,035,458</u>	<u>3,655,000</u>
Totals	<u>\$2,272,437</u>	<u>\$4,595,000</u>

LAUREL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 5. Long-Term Debt (Continued)

A. The following bonds are outstanding in the Laurel County Courthouse Annex, Inc., Fund:
 (Continued)

2. On September 1, 1992, the Laurel County Courthouse Annex, Inc., Fund, acting as agent of Laurel County issued \$1,000,000 in bonds designated as "Laurel County Courthouse Annex, Inc. Public Project Revenue Bonds, Series 1992." Proceeds of the bonds were applied to pay the costs of construction, reconstruction, and repair of certain public roads. The following is a schedule of principal and interest due:

<u>Date Due</u>	<u>Interest Due</u>	<u>Principal Amount</u>
2002	\$ 23,120	\$ 95,000
2003	17,025	100,000
2004	10,675	100,000
2005	<u>3,738</u>	<u>115,000</u>
Totals	<u>\$ 54,558</u>	<u>\$ 410,000</u>

Total Bonds Outstanding at June 30, 2001 \$5,005,000

B. The following loans are outstanding in the Industrial Development Fund:

1. Laurel County entered into a loan agreement with the Kentucky Infrastructure Authority, the proceeds from which were used to develop an industrial site for Begley Lumber Company. Revolving loan payments from Begley Lumber Company have been deemed sufficient to meet the debt service obligations of the loan. The loan is for a period of 10 years at 3.3 percent interest with 20 semiannual payments of \$18,194 with the first payment due December 4, 1994. The original amount of the loan was \$319,969. The following is a schedule of principal and interest due:

<u>Date Due</u>	<u>Interest Due</u>	<u>Principal Amount</u>
2002	\$ 3,255	\$ 34,572
2003	2,105	35,723
2004	916	<u>36,911</u>

Principal Balance Due the Kentucky
 Infrastructure Authority at June 30, 2001 \$107,206

2. On January 28, 1999, the Laurel County Fiscal Court approved payment on behalf of Laurel County Industrial Development Authority in the amount of \$500,000. Monthly payments of \$19,000 were to be made from the Industrial Development Fund receipts. The loan funds are the county's share of matching money for grants to extend roads in the Industrial Park and build a day-care center. The balance on June 30, 2001 was zero.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Lease Obligations:

The County entered into the following lease purchase agreements:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Balance June 30, 2001</u>
Wheel Loader	\$ 2,097	48 months	07/01	\$ 2,097
Van	587	48 months	03/03	\$ 11,791
Grader	2,456	48 months	11/01	\$ 12,278
2 Trucks	2,387	48 months	03/04	\$ 62,179
Suburban	10,614	4 annual	12/03	\$ 31,841

Note 7. Commitments and Contingencies

As of June 30, 2001, Laurel County is contingently liable for bonds issued on December 1, 1998, at 5 percent interest by the Laurel County Care for the Elderly Facilities Public Corporation. The balance at June 30, 2001 was \$6,570,000. The bonds will be fully amortized November 1, 2028.

Note 8. Related Party Transactions

During the year ended June 30, 2001, Laurel County paid Greer Construction Company, Inc., \$855,116 and paid Bengé Trucking Company, Inc. \$787,309 for road construction work. Greer Construction Company, Inc., is the employer of Magistrate David Bruner and Bengé Trucking Company, Inc., is owned by the brother of Magistrate Teddy Bengé. The contracts awarded each of these companies were subject to the open bidding process. Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Because of the nature of the relationships between the companies and the respective magistrates, the transactions are considered to be related-party transactions.

Note 9. Escrow Account

The Sheriff transferred \$2,253 in surplus monies from his 1995 tax account to the Fiscal Court in September 1997. The Fiscal Court purchased a certificate of deposit in November 1997 with these monies. According to KRS 393.110, these monies are to be left in escrow for seven (7) years after which if the funds have not been claimed, the funds should be submitted to the Treasury Department. The balance in the account on June 30, 2001 was \$2,635.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135 (2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Laurel County Jail Canteen Fund had a beginning balance of \$40,243, operating receipts of \$545,363, and operating disbursements of \$527,022, leaving an ending balance of \$58,584 as of June 30, 2001.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LAUREL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,584,477	\$ 3,833,053	\$ 248,576
Road and Bridge Fund	1,409,714	1,471,453	61,739
Jail Fund	2,488,760	2,369,512	(119,248)
Local Government Economic Assistance Fund	360,900	137,342	(223,558)
Occupational Tax Fund	4,641,039	5,223,452	582,413
<u>Special Revenue Fund Type</u>			
Industrial Development Fund	82,000	127,482	45,482
Forest Fire Protection Fund	1,380	1,726	346
Federal Grants Fund	318,778	318,778	
Local Government Economic Development Fund	450,500	450,244	(256)
Camp Wildcat Preservation Fund	5,200	266	(4,934)
Chemical Stockpile Emergency Preparedness Program Fund	28,132	28,132	
<u>Debt Service Fund Type</u>			
Laurel County Courthouse Annex, Inc. Fund		131,472	131,472
Totals	<u>\$ 13,370,880</u>	<u>\$ 14,092,912</u>	<u>\$ 722,032</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 13,370,880
Add: Budgeted Prior Year Surplus			1,298,100
Less: Other Financing Uses			<u>(727,424)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 13,941,556</u>

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SCHEDULE OF OPERATING REVENUE

LAUREL COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 7,462,733	\$ 7,461,131	\$ 1,602	\$
In Lieu Tax Payments	8,208	8,208		
Excess Fees	370,461	370,461		
Licenses and Permits	355,608	355,608		
Intergovernmental Revenues	5,239,545	4,348,635	796,910	94,000
Charges for Services	98,166	98,166		
Miscellaneous Revenues	407,852	282,717	125,135	
Interest Earned	150,339	109,886	2,981	37,472
Total Operating Revenue	<u>\$ 14,092,912</u>	<u>\$ 13,034,812</u>	<u>\$ 926,628</u>	<u>\$ 131,472</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LAUREL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,353,815	\$ 1,398,792	\$ (44,977)
Protection to Persons and Property	3,958,975	3,744,334	214,641
General Health and Sanitation	1,311,659	754,440	557,219
Social Services	95,118	87,000	8,118
Recreation and Culture	510,829	510,829	
Roads	3,010,861	2,920,817	90,044
Capital Projects	500,000	500,000	
Administration	2,241,677	2,065,491	176,186
Total Operating Budget - General Fund Type	\$ 12,982,934	\$ 11,981,703	\$ 1,001,231
Other Financing Uses:			
Transfers to Laurel County Courthouse Annex, Inc. Fund:			
Principal	250,000	250,000	
Interest	172,057	171,976	81
Principal on Industrial Authority Loan	270,000	169,838	100,162
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 13,674,991</u>	<u>\$ 12,573,517</u>	<u>\$ 1,101,474</u>

LAUREL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 570,000	\$ 570,000	\$
Protection to Persons and Property	28,794	28,795	(1)
Debt Service	4,633	4,633	
Capital Projects	348,778	325,486	23,292
Administration	6,417	1,491	4,926
Total Operating Budget - Special Revenue Fund Type	\$ 958,622	\$ 930,405	\$ 28,217
Other Financing Uses:			
Principal:			
Kentucky Infrastructure Authority	35,367	33,459	1,908
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 993,989	\$ 963,864	\$ 30,125

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jimmy Williams, Laurel County Judge/Executive

Members of the Laurel County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Laurel County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Laurel County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2001-4 through 2001-5.

- The Fiscal Court Should Implement Proper Payroll Procedures
- The Fiscal Court Should Review The Administrative Code Annually As Required By KRS 68.005



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

In planning and performing our audit, we considered Laurel County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Laurel County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-1 and 2001-3.

- The County Engaged In Related Party Transactions
- The Fiscal Court Should Monitor Requests For Reimbursement
- The Fiscal Court Should Monitor And Collect Outstanding Receivables

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 1, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jimmy Williams, Laurel County Judge/Executive

Members of the Laurel County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Laurel County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Laurel County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Laurel County's management. Our responsibility is to express an opinion on Laurel County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laurel County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Laurel County's compliance with those requirements.

In our opinion, Laurel County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Laurel County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Laurel County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 1, 2002

FINDINGS AND QUESTIONED COSTS

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Laurel County.
2. Three reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report. None of the conditions are reported as a material weakness.
3. Two instances of noncompliance material to the financial statements of Laurel County were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal awards programs is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Laurel County expresses an unqualified opinion.
6. There are no findings relative to the major federal awards programs for Laurel County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grants - Vaughn Ridge Industrial Site and Renaissance BankCard Center Project, and High Intensity Drug Trafficking Area.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Laurel County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

2001-1 The County Engaged In Related Party Transactions

During the year ended June 30, 2001, Laurel County paid Greer Construction, Inc. \$855,116 and also paid Bengel Trucking Company, Inc. \$787,309 for road construction work. Greer Construction Company, Inc. is the employer of Magistrate David Bruner and the brother of Magistrate Teddy Bengel owns Bengel Trucking Company, Inc. Transactions involving related-party transactions cannot be presumed to be carried out at arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Because of the nature of the relationships between the companies and the respective magistrates, the transactions are considered to be related party transactions. We refer this issue to the Laurel County Ethics Commission for further investigation.

County Judge/Executive Jimmy Williams's Response:

County Attorney, Elmer Cunnagin said this was not a problem.

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2001
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

REPORTABLE CONDITIONS (Continued)

2001-2 The Fiscal Court Should Monitor Requests For Reimbursement

It came to our attention that the Fiscal Court honored requests for reimbursement from the Occupational Tax Administrator, Rick Brewer, which were questionable. For example, Mr. Brewer asked for reimbursement for attending a seminar in Florida in July 2000, which Mr. Brewer said was for continuing education. He is an accountant, and has his own tax practice. The seminar did not relate specifically to the tax administrator's office. Therefore, we feel the cost associated with attending the seminar was a personal expense of Mr. Brewer and should not have been paid by the County. The Tax Administrator also received reimbursement for a subscription to an out of town newspaper, which was delivered to his home address. We recommend the Fiscal Court review all requests for reimbursement before payment is made in the future.

County Judge/Executive Jimmy Williams's Response:

Requests for reimbursements are being monitored by myself now.

2001-3 The Fiscal Court Should Monitor And Collect Outstanding Receivables

During our test of confirmation of receivables, we found that Nu-Legend Boat Company had a prior year ending balance of \$41,277 for a loan the county made them from Industrial Development Funds. The loan was for a period of 5 years at 5 percent interest with 60 equal monthly payments for \$849 each. Nu-Legend Boat Company did not make any payments during the current fiscal year. We recommend the County take the appropriate action to collect these monies so that they will be in compliance with the terms of the agreement for use of industrial development funds.

County Judge/Executive Jimmy Williams's Response:

We are trying to collect this and they have been paying some on it.

NONCOMPLIANCES

2001-4 The Fiscal Court Should Implement Proper Payroll Procedures

We could not locate timesheets for Jack Sizemore, Jail Administrator and Rick Brewer, Occupational Tax Administrator. According to KRS 337.320, "every employer shall keep a record of (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee and (c) other information as the secretary requires." Also, the Jailer gave an employee an additional \$1.00 per hour pay raise during the fiscal year for which we could find no approval by the Fiscal Court. According to KRS 64.530, the Fiscal Court of every county shall fix the compensation of every officer and employee except the officers named in KRS 64.535 and the county attorney and Jailer. We recommend the County Judge require all employees to submit a timesheet each pay period, which has the number of hours worked each day and that both the employee and supervisor sign the timesheet verifying hours worked. Also, the Fiscal Court should comply with KRS 64.530 by approving all salaries before payment is made.

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2001
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

NONCOMPLIANCES (Continued)

2001-4 The Fiscal Court Should Implement Proper Payroll Procedures (Continued)

County Judge/Executive Jimmy Williams's Response:

Rick Brewer is completing a timesheet now. The Jail administrator will also complete a timesheet. The Fiscal Court was informed by County Attorney as long as they stayed within their budget, jailer could give additional raises.

2001-5 The Fiscal Court Should Review The Administrative Code Annually As Required By KRS 68.005

The fiscal court did not review the administrative code during the fiscal year as required by KRS 68.005 (2), which states that the fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the fiscal court amend the County's administrative code at that time. The county judge/executive may at other times prepare and submit amendments to the code for the approval of a majority of the fiscal court. We recommend compliance with this statute in the future.

County Judge/Executive Jimmy Williams's Response:

We will comply.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

- The County Engaged In Related Party Transactions

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LAUREL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Emergency Shelter Grants Program (CFDA #14.231) Community Development Block Grants-		
Vaughn Ridge Industrial Site (CFDA #14.228)	B-98-DC-21-001(004)	\$ 217,775
Renaissance Bankcard Center Project (CFDA #14.228)	B-98-DC-21-001(004)	<u>100,983</u>
Total U.S. Department of Housing and Urban Development		\$ 318,758
<u>U.S. Department of Justice</u>		
U.S. Office of National Drug Control Policy: High Intensity Drug Trafficking Area (18PAP501)		
	Not Applicable	<u>\$ 4,976,379</u>
Total U.S. Department of Justice		<u>\$ 4,976,379</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary (CFDA #83.503)	Not Available	\$ 6,597
Chemical Stockpile Emergency Preparedness Program (CFDA #83.549)	Not Available	<u>28,054</u>
Total U.S. Federal Emergency Management Agency		<u>\$ 34,651</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 5,329,788</u></u>

LAUREL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for Laurel County consist of grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
The Financial Commission For the Appalachian High Intensity Drug Trafficking Area	\$4,976,379

The subrecipient was audited by another auditor whose report was furnished to us. We relied upon the other auditors' reports to prepare this schedule for purposes of obtaining the information for the subrecipient.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

LAUREL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001

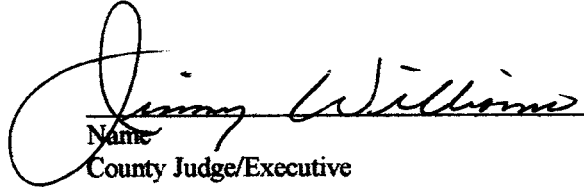
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

LAUREL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Laurel County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer

